

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1519 – HB 1994

March 31, 2011

SUMMARY OF BILL: Makes a technical correction by correcting a cite reference in Public Acts 2010, Public Chapter 1134. Declares that any gain on the sale of an asset designated as goodwill, and required to be included as Class VII assets for federal tax purposes, shall be excluded from both the numerator and the denominator of the apportionment formula receipts factor. Adds barge companies to the list of businesses that use specialized apportionment factor. Removes industrial and farm machinery from the minimum local option sales tax provision, effectively causing the maximum local option sales tax rate for such items to be no more than 2.75 percent. Adds computer software, and computer software maintenance contracts, to section of state law addressing multi-state taxation, clarifying that sales and use tax is not owed on such items when proof has been provided indicating the tax was paid on such items in another state. Clarifies that business tax, in addition to all other taxes, shall be due to the state no later than the date required by law, including tax owed on a quarterly basis. Requires certain taxpayers to file business tax returns electronically when tax liabilities equal \$1,000 or more. Authorizes the Commissioner of Revenue to assess penalties for failure to comply with the proposed electronic filing provision.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- According to the Department of Revenue (DOR), any fiscal impact related to the changes in the apportionment factor for franchise and excise taxes is estimated to be not significant.
- Based on the information provided by DOR, all other provisions of this bill, with the exception of the electronic filing provisions for business tax, are considered housekeeping measures, and are not expected to result in any fiscal impact to state or local government beyond not significant.
- Local option sales tax on industrial and farm machinery is currently levied at the local option sales tax rate applicable to the local government jurisdiction where the purchase of such items are made; therefore, no significant change to local government revenue.

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- Based on information provided by DOR, any increase in state expenditures or state revenue resulting from the proposed electronic filing provisions for business tax is estimated to be not significant.
- Any increase in state revenue from penalties assessed by DOR for failure to comply with the proposed electronic filing provisions will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc